

# Bill would hike rates for cable

The legislation would let municipalities tax a cable company's gross earnings up to 3 percent, which would result in higher cable TV bills.

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An increase in cable television costs could be on the way, but this time, don't blame the cable companies.

The General Assembly has been considering legislation that would grant authority to local cities and towns to assess a franchise fee on telecommunications providers.

A bill introduced by Rep. John J. McCauley, D-Providence, would allow a municipality to tax a cable company's gross earnings within the town or city at a rate of up to 3 percent.

Cable companies in Rhode Island do not now pay any type of franchise fee. The companies are required to contribute to public-access and local educational programming, and those costs are typically passed on to customers.

Many other states, including Massachusetts, allow cities and towns to assess franchise fees.

The proposed legislation has the support of the Rhode Island League of Cities and Towns, as well as the City of Providence. Such a tax could provide a new source of revenue for cash-strapped municipalities.

The bill has been opposed by Cox Communications, the dominant cable company in Rhode Island, and by Verizon Communications, which began offering cable service in parts of Rhode Is-

land on Monday. Both companies say it will simply result in higher cable TV bills.

The legislation would create "just another tax that would be added to our customers' [your constituents'] bills," asserted John Wolfe, vice president of government affairs for Cox, in written testimony submitted in March. Donna Cupelo, president of Verizon's operations in Rhode Island and Massachusetts, told The Journal that the company opposed the legislation "because of the added tax bill."

The Division of Public Utilities and Carriers, which regulates cable TV in the state, added its concerns in a letter to the House Finance Committee signed by Eric A. Palazzo, associate administrator for cable TV for

the DPUC. Like the cable companies, the DPUC contends that a new franchise fee "will most assuredly be passed on to cable subscribers, thereby increasing cable rates in the state."

Palazzo also wrote that the legislation could interfere with the current cable TV licensing rules, which give that authority exclusively to the DPUC. In an interview, Palazzo said some members of the General Assembly told him it was not the intention of the legislature to change the way cable companies win approval to offer service in Rhode Island; they were focused only on the assessment of new fees, he said.

The bill was discussed at a hearing last week by the House Finance Committee, which took no action on it. Then, on Friday, a

similar proposal emerged as an amendment to the state's budget.

That amendment proposed creating a "video-services tax" of 3.5 percent to be assessed on cable operators as well as direct-broadcast satellite companies.

Some legislators raised concerns about that amendment, leading Gordon Fox, House majority leader, to withdraw the proposal, said Larry Berman, a spokesman for House Speaker William J. Murphy.

"We level-funded education," Berman said. Money that communities were expecting wasn't going to be there, he said. The thinking behind the video tax was "at least this will help the municipalities."

"A lot of the members weren't comfortable, or weren't that familiar with it," Berman said, so the proposal was withdrawn.

That tax won't be included in the state's budget, but that doesn't mean the bill is dead. Berman said it is possible that the House could take another look at the original McCauley bill before the General Assembly recesses for the summer.

"It is up in the air right now whether any legislation will be considered," Berman said yesterday. "No decision has been made as of today. ... Stay tuned and see what happens."

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